

CHELSEA AREA FIRE AUTHORITY

WASHTENAW COUNTY - MICHIGAN

81-7540

FINANCIAL STATEMENTS AND

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

Year Ended February 29, 2004

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name CHELSEA AREA FIRE AUTHORITY	County WASHTENAW
Audit Date 2/29/04	Opinion Date 7/7/04	Date Accountant Report Submitted to State: 8/26/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan as revised*.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

### We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) DOVE & HICKEY PLC			
Street Address 209 E WASHINGTON AVE SUITE 255	City JACKSON	State MI	ZIP 49201
Accountant Signature <i>Greg Dove CPA</i>			

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# Dove & Hickey, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

Authority Board  
Chelsea Area Fire Authority  
Washtenaw County, Michigan

We have audited the accompanying general purpose financial statements of Chelsea Area Fire Authority as of February 29, 2004 and for the year then ended. These general purpose financial statements are the responsibility of the Authority's officials. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Chelsea Area Fire Authority as of February 29, 2004, and the results of its operations, in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of Chelsea Area Fire Authority. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

*Dove & Hickey, P.L.C.*

July 7, 2004

CHELSEA AREA FIRE AUTHORITY  
COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
February 29, 2004

	<u>GOVERNMENTAL FUND TYPES</u>		<u>FIDUCIARY FUND TYPES</u>
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>TRUST AND AGENCY</u>
<u>ASSETS</u>			
Cash	\$ 92,632	\$ 7	\$ 2,000
Accounts receivable	4,114	-0-	-0-
Due from other governments	159,601	-0-	-0-
Fixed assets	-0-	-0-	-0-
Amount to be provided for retirement of general long-term debt	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total assets	<u>\$256,347</u>	<u>\$ 7</u>	<u>\$ 2,000</u>
<u>LIABILITIES AND FUND EQUITY</u>			
Liabilities:			
Accounts payable	\$ 16,055	\$ -0-	\$ -0-
Accrued liabilities	25,368	-0-	-0-
Deferred revenue	37,011	-0-	-0-
Vested employee benefits payable	-0-	-0-	-0-
Capital lease obligation	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total liabilities	<u>78,434</u>	<u>-0-</u>	<u>-0-</u>
Fund Equity:			
Investment in general fixed assets	-0-	-0-	-0-
Fund balances:			
Reserved	115,878	-0-	-0-
Unreserved/undesignated	<u>62,035</u>	<u>7</u>	<u>2,000</u>
Total fund equity	<u>177,913</u>	<u>7</u>	<u>2,000</u>
Total liabilities and fund equity	<u>\$256,347</u>	<u>\$ 7</u>	<u>\$ 2,000</u>

See accompanying notes to financial statements.

<u>ACCOUNT GROUPS</u>	
<u>GENERAL</u>	<u>GENERAL</u>
<u>FIXED</u>	<u>LONG-TERM</u>
<u>ASSETS</u>	<u>DEBT</u>

\$ -0-	\$ -0-
-0-	-0-
-0-	-0-
562,348	-0-

<u>-0-</u>	<u>188,113</u>
<u>\$562,348</u>	<u>\$188,113</u>

\$ -0-	\$ -0-
-0-	-0-
-0-	-0-
-0-	42,100
<u>-0-</u>	<u>146,013</u>
<u>-0-</u>	<u>188,113</u>

562,348	-0-
-0-	-0-
<u>-0-</u>	<u>-0-</u>
<u>562,348</u>	<u>-0-</u>

<u>\$562,348</u>	<u>\$188,113</u>
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CHELSEA AREA FIRE AUTHORITY  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES -  
 ALL GOVERNMENTAL FUND TYPES  
 February 29, 2004

	<u>GOVERNMENTAL FUND TYPES</u>	
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>
REVENUES:		
Charges for services	\$731,430	\$ -0-
Interest	959	-0-
Federal grants	65,534	-0-
Refunds and reimbursements	11,252	-0-
Other revenue	45	-0-
Total revenue	<u>809,220</u>	<u>-0-</u>
EXPENDITURES:		
Current:		
Public safety	637,695	-0-
Capital outlay	<u>215,795</u>	<u>3,674</u>
Total expenditures	<u>853,490</u>	<u>3,674</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	(44,270)	(3,674)
FUND BALANCE - BEGINNING OF YEAR	<u>222,183</u>	<u>3,681</u>
FUND BALANCE - END OF YEAR	<u>\$177,913</u>	<u>\$ 7</u>

See accompanying notes to financial statements.

CHELSEA AREA FIRE AUTHORITY  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 GENERAL AND SPECIAL REVENUE FUNDS  
 February 29, 2004

	<u>GENERAL FUND</u>		
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES:			
Charges for services	\$679,877	\$731,430	\$ 51,553
Interest	-0-	959	959
Federal grants	65,534	65,534	-0-
Refunds and reimbursements	-0-	11,252	11,252
Other revenue	-0-	45	45
Total revenues	<u>745,411</u>	<u>809,220</u>	<u>63,809</u>
EXPENDITURES:			
Current:			
Public safety	645,236	637,695	7,541
Capital outlay	<u>215,175</u>	<u>215,795</u>	<u>(620)</u>
Total expenditures	<u>860,411</u>	<u>853,490</u>	<u>6,921</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(115,000)	(44,270)	70,730
FUND BALANCE - BEGINNING OF YEAR	<u>222,183</u>	<u>222,183</u>	<u>-0-</u>
FUND BALANCE - END OF YEAR	<u>\$107,183</u>	<u>\$177,913</u>	<u>\$ 70,730</u>

See accompanying notes to financial statements.



SPECIAL REVENUE FUND

<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u> <u>FAVORABLE</u> <u>(UNFAVORABLE)</u>
\$ -0-	\$ -0-	\$ -0-
-0-	-0-	-0-
-0-	-0-	-0-
-0-	-0-	-0-
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
-0-	-0-	-0-
<u>-0-</u>	<u>3,674</u>	<u>(3,674)</u>
<u>-0-</u>	<u>3,674</u>	<u>(3,674)</u>
-0-	(3,674)	(3,674)
<u>-0-</u>	<u>3,681</u>	<u>3,681</u>
\$ <u><u>-0-</u></u>	\$ <u><u>7</u></u>	\$ <u><u>7</u></u>

CHELSEA AREA FIRE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
February 29, 2004

The Chelsea Area Fire Authority was established under the provisions of Act 57, Public Acts of 1988. The incorporating municipalities include the Village of Chelsea, the Townships of Dexter, Lima, Lydon, Sylvan, and Waterloo. The Authority is governed by a six (6) person Board of Trustees, one trustee from each incorporating municipality. The Authority provides fire protection and emergency services within the total territory of the incorporating municipalities pursuant to contract with the Authority.

Pursuant to the Pre-Incorporation Agreement, signed May 25, 1999 by the Village President and Clerk, the Village of Chelsea agreed to transfer the equipment of the Chelsea Fire Department. The recorded value of the equipment in the Village of Chelsea's General Fixed Asset Account Group was \$927,983. As of February 29, 2004, the Village of Chelsea has not relinquished title to the equipment, so the equipment is not reflected in Chelsea Area Fire Authority's General Fixed Asset Account Group.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity", these financial statements present the Authority. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

Basis of Presentation

The accounts of the Authority are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds. The various funds and account groups of the Authority are as follows:

Governmental Funds:

General Fund is used to account for all financial resources except those required to be accounted for in another fund.

The Special Revenue Fund is used to account for the proceeds of specific revenue sources (other than special assessments, expendable trust, or major capital projects) that are legally restricted to expenditures for specific purposes. Special Revenue Funds are used for public improvements.

CHELSEA AREA FIRE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
February 29, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Fiduciary Funds:

Trust Fund is used to account for assets held by the Authority in a trustee capacity or as an agent for individual, private organizations or other governmental units. The Authority is trustee for the Michael Spears Memorial Fund in which all monies are restricted for the purpose specified by the Chelsea Fireman's Association, which is the fraternal organization of the Authority.

Agency Fund is used to account for assets held by the Authority in a trustee capacity or as an agent for individuals, private organizations or other governmental units. The Authority utilizes an agency fund to account for collection and disbursement of standby fees.

Account Groups:

General Fixed Assets - The General Fixed Asset Account Group is used to account for fixed assets used in governmental fund type operations for control purposes. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date of donation. No depreciation is recorded on general fixed assets.

General Long-Term Debt Account Group is used to account for long-term liabilities to be financed from government funds.

Basis of Accounting

All governmental funds utilize the modified accrual basis of accounting. Under this method, revenues are recorded when received in cash except for those susceptible to accrual, which are recorded as receivables when measurable and as revenues when available to finance current operations. Revenues susceptible to accrual include expenditure reimbursement type grants, certain intergovernmental revenues and operating transfers. Expenditures are recorded when the liability is incurred, except for interest on long-term debt, which is recorded when paid.

CHELSEA AREA FIRE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
February 29, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Excess of Expenditures Over Appropriations

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. In the general purpose financial statements, the Authority's actual expenditures and budgeted expenditures have been shown on a functional basis. The approved budgets of the Authority were adopted to the activity level. During the year ended February 29, 2004, the Authority incurred expenditures in excess of the amounts appropriated at the activity level as follows:

<u>FUND</u>	<u>BUDGETED APPROPRIATIONS</u>	<u>AMOUNT OF EXPENDITURES</u>	<u>BUDGET VARIANCE</u>
General Fund -			
Capital outlay	\$ <u>215,175</u>	\$ <u>215,795</u>	(\$ <u>620</u> )
Special Revenue -			
Capital outlay	\$ <u>-0-</u>	\$ <u>3,674</u>	\$ <u>3,674</u>

Budgets

Governmental funds are under formal budgetary control. Budgets shown in the financial statements were prepared on a basis not significantly different from the modified accrual basis used to reflect actual results and consist only of those contained in the formal budget approved by the Authority Board. Budgetary control is exercised at the activity level. Any revisions to the budget must be approved by the Authority Board. As of February 29, 2004, the original budgeted expenses of \$797,877 were increased to \$860,411 for the General Fund; however, budget amendments were made at the activity level. The amended budget for the General Fund and Special Revenue Fund are presented in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General and Special Revenue Funds.

Fixed Assets

Fixed assets used in governmental fund type operations are recorded as expenditures in the fund at time of purchase. Purchased assets are then capitalized at cost where historical records are available and at estimated historical cost where no record exists in the general fixed assets group of accounts. Donated assets are valued at their estimated fair market value on the date received. No depreciation is provided on these fixed assets.

Reserves and Designations

Portions of fund equity are segregated for future use and, therefore, are not available for current appropriations or expenditures.

CHELSEA AREA FIRE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
February 29, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. DUE FROM OTHER GOVERNMENTS

The \$159,601 in the General Fund represents the unpaid charges for services due from the participating Townships and Village within the Authority at February 29, 2004.

3. RESERVED FUND BALANCE

Reserved fund balance consists of the following at February 29, 2004:

For the purchase of new and replacement fire protection equipment	\$ 32,366
For the building of a substation	53,631
For the payment of vested employee benefits	<u>25,506</u>
Total fund balance - reserved	<u>\$111,503</u>

4. CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets account group follows:

	<u>BALANCE</u> <u>2/28/03</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>2/29/04</u>
Vehicles	\$136,878	\$233,473	\$ 11,578	\$358,773
Office equipment	10,719	8,996	-0-	19,715
Fire equipment	<u>112,868</u>	<u>70,992</u>	<u>-0-</u>	<u>183,860</u>
Total	<u>\$260,465</u>	<u>\$313,461</u>	<u>\$ 11,578</u>	<u>\$562,348</u>

CHELSEA AREA FIRE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
February 29, 2004

5. BALANCE SHEET - CASH AND INVESTMENTS

Deposits are carried at cost. Deposits are in one bank in the name of the Authority. Michigan Compiled Laws, Section 129.91, authorizes the Authority to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The Authority's deposits are in accordance with statutory authority.

The Governmental Accounting Standards Board (GASB) Statement No. 3 risk disclosures for Chelsea Area Fire Authority's cash deposits at February 29, 2004, are as follows:

BANK BALANCE

<u>DEPOSITS</u>	<u>TOTAL</u>
Insured (FDIC)	\$ 78,701
Uninsured	<u>-0-</u>
Total deposits	\$ <u>78,701</u>

At February 29, 2004, the balance sheet carrying amount of deposits was \$77,504.

In accordance with GASB Statement No. 3, investments are classified into three categories of credit risk as follows:

Category 1: Insured or registered, or securities held by the Authority or its agent in the Authority's name.

Category 2: Uninsured and unregistered, with the securities held by the counterparty's trust department or agent in the Authority's name.

Category 3: Uninsured and unregistered, with the securities held by the counterparty or by its trust department or agent but not in the Authority's name.

At February 29, 2004, the Authority had no Category 1-3 credit risk investments.

CHELSEA AREA FIRE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
February 29, 2004

6. VESTED EMPLOYEE BENEFITS

The Authority maintains a severance pay plan for regular firefighters, permanent employees, and investigators. To be eligible for severance pay, an employee must have completed ten years of service. An employee may use five years of reserve duty toward qualifying severance time. A reserve member must meet the requirements of the residence policy of the Authority for the reserve time to qualify. At the completion of the tenth year, an employee will have earned one thousand dollars (\$1,000) toward his/her severance fund. For each additional year completed, one hundred dollars (\$100) per year will be added to the employee's severance fund.

For governmental funds (using modified accrual basis of accounting), the estimated amount that will be paid currently is accrued in the appropriate fund; the non-current portion is accrued in the General Long-Term Debt Account Group. At February 29, 2004, the liability for accumulated severance pay was \$42,100.

7. LEASES

The Authority leases office space and equipment. The leases are recorded as operating leases. Total rental expense under operating lease agreements is \$14,022. The following is a summary of future minimum payments under noncancelable leases at February 29, 2004:

<u>YEARS</u>	<u>AMOUNT</u>
2005	\$ 3,642
2006	3,342
2007	1,842
2008	1,842
Thereafter	<u>-0-</u>
	<u>\$ 10,668</u>

CHELSEA AREA FIRE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
February 29, 2004

7. LEASES (Continued)

The Authority has entered into lease agreements as lessee for financing the purchase of equipment and a rescue truck. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date. For governmental funds (using modified accrual basis of accounting), the estimated amount that will be paid currently is accrued in the appropriate fund; the non-current portion is accrued in the General Long-Term Debt Account Group. The future minimum lease obligations and the net present value is as follows:

<u>YEARS</u>	<u>AMOUNT</u>
2005	\$ 26,516
2006	26,516
2007	26,516
2008	16,416
2009	16,416
Thereafter	<u>65,660</u>
Total minimum lease payments	178,040
Less: amount representing interest	<u>32,027</u>
Present value	<u>\$146,013</u>

8. SUBSEQUENT EVENT

On March 3, 2004, the Township of Waterloo gave notice of its withdrawal from the Authority.



## SUPPLEMENTARY INFORMATION

CHELSEA AREA FIRE AUTHORITY  
COMBINING BALANCE SHEET -  
FIDUCIARY FUNDS  
February 29, 2004

	<u>EXPENDABLE TRUST FUND MICHAEL SPEARS MEMORIAL</u>	<u>AGENCY FUND STANDBY FEE COLLECTIONS</u>	<u>TOTAL</u>
<u>ASSETS</u>			
Cash	\$ <u>2,000</u>	\$ <u>-0-</u>	\$ <u>2,000</u>
Total assets	\$ <u>2,000</u>	\$ <u>-0-</u>	\$ <u>2,000</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Due to others	\$ -0-	\$ -0-	\$ -0-
Due to other funds	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total liabilities	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Fund balances:			
Unreserved/undesignated	<u>2,000</u>	<u>-0-</u>	<u>2,000</u>
Total fund balances	<u>2,000</u>	<u>-0-</u>	<u>2,000</u>
Total liabilities and fund balances	\$ <u>2,000</u>	\$ <u>-0-</u>	\$ <u>2,000</u>

See accompanying notes to financial statements.

CHELSEA AREA FIRE AUTHORITY  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -  
 ALL AGENCY FUNDS  
 Year Ended February 29, 2004

<u>STANDBY FEE COLLECTION FUND</u>				
	<u>BALANCE</u>			<u>BALANCE</u>
	<u>3/1/03</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>2/29/04</u>
<u>ASSETS</u>				
Cash	\$ <u>-0-</u>	\$ <u>37,645</u>	\$ <u>37,645</u>	\$ <u>-0-</u>
Total assets	\$ <u>-0-</u>	\$ <u>37,645</u>	\$ <u>37,645</u>	\$ <u>-0-</u>
 <u>LIABILITIES</u>				
Liabilities:				
Due to other governments	\$ <u>-0-</u>	\$ <u>37,645</u>	\$ <u>37,645</u>	\$ <u>-0-</u>
Total liabilities	\$ <u>-0-</u>	\$ <u>37,645</u>	\$ <u>37,645</u>	\$ <u>-0-</u>

See accompanying notes to financial statements.

# Dove & Hickey, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

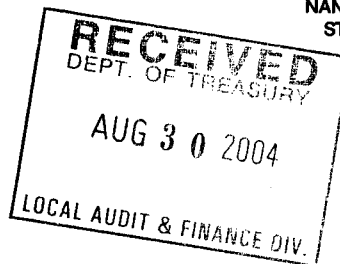
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ALLISON I. COLE, C.P.A.



July 7, 2004

Board of Trustees  
Chelsea Area Fire Authority  
Washtenaw County, Michigan

We have audited the general purpose financial statements of Chelsea Area Fire Authority for the year ended February 29, 2004 and we have rendered our opinion thereon dated July 7, 2004. Based upon our audit, we offer the following comments:

### Fire Run Billings

The Billing Clerk is producing fire run invoices without any supervision or review of amounts billed. We suggest that when bills are created, the Fire Chief be given a copy to review and approve before they are mailed, to help insure the correct amount is billed. We also suggest that the Billing Clerk be given a list of the receipts, not the actual payments to record, to increase internal controls.

### Reimbursements

While examining expenses we noted that there were reimbursements made to the Authority that were treated as reductions of expenses rather than income. In order to be properly accounted for, reimbursements should be posted to a revenue account. The State of Michigan Uniform Chart of Accounts has designated account numbers 676 - 686 for this purpose.

### Administrative and Court Costs

While testing the Authority's billings, we noted that administrative and court costs were allocated to the individual municipalities based on the number of invoices generated in each municipality. While this appears reasonable, we suggest that the Authority develop a written policy for allocating these items.

### Contributed Assets

Once again we suggest that the Authority obtain the titles to the contributed assets from the Village of Chelsea.

Chelsea Area Fire Authority

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Budget

Every governmental unit should prepare a budget covering all governmental funds for each annual fiscal period. We recommend that the Authority prepare a budget for the Public Improvement Fund.

We appreciate the opportunity to serve you. If you have any questions regarding this letter, please contact us.

Respectfully yours,

*Dove & Hickey, P.L.C.*